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THESIS

MANAGEMENT CONTROL
IN
MORALE, WELFARE, AND RECREATION
ACTIVITIES

by

Christine M. Flavin

December 1986

Thesis Advisor J.M. Fremgen

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Management Control in Morale, Welfare, and Recreation Activities

by

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Lieutenant, United States Navy
B.S., Villanova University, 1977

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requirements for the degree of

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ABSTRACT

This study examines the management control procedures used by Navy club and recreation programs. It discusses management control theory available in literature and uses Anthony and Young's model of programming, budgeting, operations and measurement, evaluation, and reporting as a basis for the ensuing discussion. NMPC policies in the area of management control are described with particular emphasis being given to Project "Smart Compass". A summary of interviews with managers at three levels in the chain of command documents actual practice in use at sample commands. Particular strengths and weaknesses of control systems are discussed in an analysis of theory, policy, and practice. Though the study was done of Navy club and recreation programs, the conclusions and recommendations are applicable to club and recreation programs of all four armed service branches.

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I. INTRODUCTION

Morale, Welfare, and Recreation (MWR) Activities are part of the military's benefit package for its service members. These activities include retail merchandise outlets (exchanges), supermarkets (commissaries), recreational facilities, and clubs. The activities are designed to contribute to the morale and well-being of service members and their families and are found at most military installations. As a general rule, services are provided at lower prices than one would find in the local community.

Like any other department under a commanding officer at a base, MWR activities should be controlled to ensure that management's goals are being achieved. Millions of dollars are handled annually at MWR activities at Naval bases. Cash flow, along with the activities' other resources, must be managed in both an effective and efficient manner. How well this happens depends largely upon the command's system of management control.

A. PURPOSE OF THE STUDY

The purpose of this study is to examine the management control procedures used by Navy club and recreational activities. With recent cuts of $139 million for MWR activities in House defense authorization and appropriation bills, managers must take seriously the challenge of management control. Budget cuts can promote more efficient operations or they can result in more poorly run organizations. The outcome depends on management's ability to plan and control better their expected revenues and expenses. Good management control is essential both for the well-being of the patrons and for the viability of the organizations.

Research will focus on control at three levels in the chain of command: (1) from the perspective of the club manager and recreation director; (2) from the point of view of the Morale, Welfare and Recreation officer who oversees these managers; and (3) from the level of the executive/commanding officer who sees MWR as one small department of the total organization. Specific questions to be answered are:

1. What are the current management control procedures recommended by the Naval Military Personnel Command (NMPC) for operating managers, MWR officers, and Executive Officers?
2. Do the current management control procedures provide all three levels of management with adequate information to do their jobs better?
3. How effective is Project "Smart Compass" as a management control tool?

B. METHOD EMPLOYED

Review of the literature applicable to management control provides the conceptual framework for this study. With this theory in mind, Naval Military Personnel Command's instructions were researched for policy and procedures in the areas of programming, budgeting, operations and measurement, and reporting and evaluation.

Interviews were conducted with club managers, recreational directors, MWR officers, and executive officers at five commands: Naval Air Station Moffett Field, Naval Supply Center Oakland, Treasure Island Naval Support Activity, Naval Air Station Alameda, and Naval Postgraduate School. The results of these interviews provided a sample of management control procedures used in practice. In order to get the most candid answers to questions, confidentiality was promised. Therefore, names are not mentioned and no one is directly quoted in this paper.

C. THESIS ORGANIZATION

Chapter II discusses management control theory in the broad sense. Anthony and Young's model of programming, budgeting, operations and measurement, evaluation and reporting provides the conceptual framework for the ensuing chapters.

Chapter III describes the policies Naval Military Personnel Command recommends in the area of management control for Navy club and recreation programs.

Chapter IV focuses on the newest procedures NMPC promotes: Project "Smart Compass". While Chapter III necesssarily leaves some gaps in relation to the conceptual framework, "Smart Compass" fills those gaps with several assessment tools that can be used by operating managers.

Chapter V shows the results of the interviews with managers, MWR officers and executive officers, when questioned about their management control practices. Their answers help to illustrate those parts of theory and policy that work well or do not work well in practice.

Finally, Chapter VI summarizes conclusions and recommendations based on an analysis of theory, policy and practice.

II. CONCEPTUAL FRAMEWORK

A. MANAGEMENT CONTROL DEFINED

Anthony [Ref. 1: p.17] defines management control as "the process by which managers assure that resources are obtained and used effectively and efficiently in the accomplishment of the organization's objectives". Planning and control are key activities in this process. Planning is deciding on the organization's goals and how to achieve those goals. Control is making sure the goals are accomplished.

Most organizations use three types of planning and control activities. They are strategic planning, task control, and management control. Strategic planning is the process of deciding on the organization's goals and what methods to employ to achieve those goals. This is usually handled by the highest levels of management. Operating managers ensure task control by making sure that specific tasks are carried out effectively and efficiently. [Ref. 2: p.4] Falling somewhere between broad-based strategic planning and detailed task control is management control, which is the focus of this chapter. Management control accepts the strategies from the strategic planning process as a given. It implements these strategies without getting involved in the detailed operating decisions that task control does.

Various models of management control exist. However, there is no definitive model. [Ref. 3: p.8] The problem is that the theory on which the models are based is deficient. Actual outcomes cannot be consistently predicted on the basis of specific inputs. Nevertheless, it is helpful to use some model in order to examine the management control structure and process to understand how the system is intended to operate.

B. STRUCTURE AND PROCESS

Like any other system, a management control system can be analyzed in terms of its structure and process. The structure provides the framework in which the process operates. [Ref. 4: p.C-44]

1. Structure

Organizations are broken down into units called responsibility centers. A responsibility center is a group of people working toward an organizational objective. The responsibility center has a manager who is responsible for its actions, along with inputs of labor, material, and services. [Ref. 2: p.5]

Several different types of responsibility centers are revenue centers, cost centers, profit centers and investment centers. Controllability is the key factor in selecting one type over another. The responsibility center manager is accountable for those inputs and outputs over which he or she has a reasonable amount of control. [Ref. 2: p.7]

A revenue center is charged only with obtaining some predetermined monetary level of output. An expense center, conversely, measures only the expenses incurred by a responsibility center. It does not measure the monetary value of the output. A profit center takes into account both inputs and outputs, since profit is the difference between revenue and expense. Finally, the investment center takes the profit center concept one step further by adding the measurement of capital employed in generating the profit.

Some organizations make a distinction between responsibility centers and programs. In addition to responsibility centers in their management control systems, they have program structures. Information about the programs the organization has available or plans to make available is contained in the program structure. The program structure exists for three main purposes. (1) Managers must make decisions about the programs that are to be started, continued, or discontinued, and the amount and types of resources that should be dedicated to each program. (2) Management needs to make comparisons between programs carried on by several organizations. For example, Navy installations normally have recreation programs; thus, recreation costs at one base can be compared with those at another base. (3) Information about programs provides a basis for fees charged to patrons or for the reimbursement of costs incurred. [Ref. 2: p.8]

The management control system must identify the interaction between the responsibility center and a program structure when both exist in the organization. Sometimes a responsibility center may work on only one program and may be the only responsibility center working on that program. In that case, the program structure corresponds to the responsibility center structure. In other cases, a responsibility center works on several programs and the one-to-one correspondence between programs and responsibility centers does not exist. [Ref. 2: p.9]

2. **Process**

Once the organization's broad goals and strategies are developed during the strategic planning phase, the management control process begins. Much of

management control information is collected informally through meetings, contact with peers, and "management by walking around." In larger organizations, a more formal process is also required. Information consists of planned and actual data on inputs and outputs. Planning inputs and outputs occur first, operations proceed, and information regarding actual input and output are recorded. These actual figures are compared to the planned (or budgeted) figures, and evaluations are made of performance. When necessary, corrective action is taken. Anthony and Young describe the control process in these phases: (1) programming, (2) budget formulation, (3) operating and measurement, and (4) reporting and evaluation. [Ref. 2: p.10]

a. Programming

"Programming is the process of deciding on the nature and size of the programs that are to be undertaken in order to achieve an organization's goals" [Ref. 2: p.281]. It is the step that refines the goals and strategies developed during the strategic planning phase and identifies the programs that will implement them.

Programming involves planning. How detailed the plans have to be depends on the importance of the steps along the way relative to final outcome. If the intermediate steps are considered important, then precise plans must be developed to specify the steps. If management is more concerned with the final product than with how it came about, a more general plan is appropriate. [Ref. 3: p.17]

There are five steps in the planning process. The first step is to determine the values or data to be used. These data may be either historical or projected. The level of detail varies according to the purpose of the plan. Short run plans require more detail than long-range planning. [Ref. 5: p.131] The second step is to manipulate the data in order to determine the effects of alternative courses of action. The next step is to select the best plan from among the alternatives. Translating the selected plan into a form for operational planning is the fourth step. The last step in the planning process is the control of the plan. Control is comparing the actual results against the plan, and taking corrective action if necessary. As Ackoff states, "planning is not an act but a process" [Ref. 6: p.3]. Once the program is planned, the environment changes, and the plan becomes obsolete. The process then starts again at step one.

b. Budget Formulation

Programming and budgeting are closely related. Both activities require planning, but the planning is of different types. Programming focuses on programs that stretch over several years, whereas budgeting concentrates on a single year. (A

notable exception to this general rule is the Department of Defense budget process which is for five years with the major emphasis on a single year.) The distinction between the two lies in their purpose. The purpose of programming is to make decisions about programs: whether to implement new programs or to continue ongoing programs. The purpose of budget formulation is to decide on a financial plan to implement approved programs during a year. [Ref. 2: p.358]

Budget formulation is a major part of the management control system. Anthony and Young define a budget as "a plan expressed in quantitative, usually monetary, terms covering a specified period of time" [Ref. 2: p.11]. It is an important function in any organization, but more so in a nonprofit organization than in a profit-oriented company. In a profit-oriented organization, managers can change plans on their own initiative, as long as the revised plans promise to increase profit. Managers of nonprofit organizations, especially those whose annual revenue is essentially fixed, must adhere closely to the plans expressed in the budget. [Ref. 2: p.644]

Budget preparation begins with an estimate of revenues. Total expenses should be planned so that they are approximately equal to the total revenues [Ref. 2: p.644]. If current expenses are lower than revenues, the program might be viewed as not providing the services that the patron has the right to expect. If current expenses exceed current revenues, the effect is to favor current patrons at the expense of future patrons. [Ref. 2: p.360] The prudent course of action in this case is to reduce expenses rather than anticipate that revenues can be increased [Ref. 4: p.c-51].

Formulation of guidelines and their communication to operating managers is the first step in the budget process. Operating managers use these guidelines in the preparation of their proposed budgets. These budgets are then negotiated with their superiors. When agreed upon, the budget becomes a commitment between the superior and the operating manager. The operating manager commits to achieving the planned objectives within the spending limits specified in the budget and the superior commits to viewing this accomplishment as satisfactory performance. [Ref. 2: p.645]

c. Operating and Measurement

Operations can be controlled through a system which assures that actual spending is kept within limits specified in the budget. Spending measures resources acquired. Incurrence of expenses is monitored as well. Expenses measure resources consumed, and is the better financial indication of inputs used to accomplish whatever the organization did. [Ref. 2: p.645]

Audit and internal control techniques are used to minimize the occurrence of loss by theft, fraud, embezzlement,or administrative errors; to ensure that financial and nonfinancial rules are adhered to; and to ensure the accuracy of information flowing through the system. [Ref. 2: p.646]

Information is needed for carrying out all aspects of the management control process. This information is usually in a quantitative form and is the result of some measurement process. The measurement process is central to the operation of an effective and efficient management control system. [Ref. 3: p.76] Output information is needed to measure efficiency, which is the ratio of outputs to inputs, and to measure effectiveness, which is the extent to which the actual output meets the organization's goals and objectives. In profit-oriented companies, this is a relatively easy thing to do since gross margin or net income are measures that are useful for both of these purposes. Measures of output in many non-profit organizations are more difficult to develop, because no monetary measures like these exist. Club and recreation programs, however, operate as profit generating activities. Revenues are not fixed as they are in other non-profit organizations, and managers can change plans on their own initiative to increase profit. [Ref. 2: p.359]

Mock and Grove describe a typical sequence one would go through in analyzing existing or new measurement systems. The first step is to identify the decision context and related measurement needs. [Ref. 7: p.34] This seems like a fairly obvious place to start, but, as Euske puts it, " it is possible to develop a very sophisticated measurement system that has great specificity, validity, and reliability but is not very useful" [Ref. 3: p.87]. The next step would be to identify the relevant outputs to be measured. Investigating existing measurement scales from a factual view would be the third step. The factual view takes into account reliability, meaningfulness, and validity. [Ref. 3: p.88] If the existing measures meet these criteria, the analysis would stop here. If not, the fourth step is to develop new scales that will work. If this passes the factual point of view test, then the last step is to evaluate the cost and relevance of the measurement system to be used.

In the search for appropriate output measures, Anthony and Young submit the following general propositions:

1. Some measure of output is better than none.
2. If feasible, relate output measures to measures available from outside sources.
3. Use measures that can be reported in a timely manner.
4. Develop different measures for different purposes.

5. Focus on important measures.
6. Don't report more information than is likely to be used.
7. If feasible, tie output measures to expense measures.
8. Don't give more credence to surrogates than is warranted. [Ref. 2: p.478]

d. Reporting

During the reporting phase of the management control process, management collects quantitative and nonquantitative information. Financial data are one type of quantitative information. Financial reports show actual revenues and expenses compared with budgeted revenues and expenses. Variances are analyzed in terms of volume, mix, price, and efficiency. [Ref. 2: p.516] Management discusses notable differences with the cognizant responsibility center manager. Output information is another type of quantitative information collected. When possible, output information should be shown on the same page as financial information. Thus, reporting costs per unit of output can be calculated. [Ref. 2: p.513]

In addition to the quantitative information contained in these routine recurring reports, other nonquantitative information is collected by management. This information is gleaned from trade journals, newspapers, and outside sources. Some is picked up through informal conversations and personal observations. [Ref. 2: p.513] Sometimes this type of information is more useful than the quantitative type.

Since information flow is a crucial aspect of the control process, it is useful to consider a few erroneous assumptions about developing an information flow. Ackoff lists a few. [Ref. 6: p.113]

1. Managers critically need more information. The opposite case is probably closer to the truth: managers have an overabundance of irrelevant information.
2. Managers know what information they need and need the information they want. The tendency seems to be that the less a manager understands a particular decision to be made, the more information he will request. Some model of the decision to be made must be developed in order to specify the information the manager needs.
3. Managers' decisions will improve by giving the manager the information needed. Required information is not going to help solve the problem if the manager doesn't know how to use it.
4. More communication means better performance. As Ackoff says, "When organizational units have inappropriate measures of performance that put them into conflict with each other, as is more often the case than not, communication between them may hurt overall performance, not help it." [Ref. 6: p.119]
5. A manager does not need to understand how information in an information system is developed; he just needs to know how to make the information available. The problem with this assumption is that if the manager doesn't understand the process that generates the information, he will not be able to evaluate the information coming from the system.

e. Evaluation

Evaluation is the process used to compare the actual with the desired effects. Suchman lists the steps essential for evaluation: identification of the goals to be evaluated; analysis of the problems with which the activity must cope; description and standardization of the activity; measurement of the degree of change that takes place; determination of whether the observed change is due to the activity or to some other cause; and, some indication of the durability of the effects. [Ref. 8: p.31] Generally, evaluations are short-run measures since they are more useful when they are timely enough to be used for steering control. This way the manager can adjust or regroup to meet objectives. [Ref. 3: p.73]

C. ORGANIZATIONAL RESPONSIBILITIES

Three levels of management are involved in the control process in non-profit organizations. They are the governing board, top management, and operating management.

The governing board sets long range goals for the organization and broad strategies for achieving these goals. This process is known as "strategic planing." The activities of the organization are guided by these goals and strategies. The governing board also sets policy on the specific use of funds. In MWR activities, the governing board is the Chief of Naval Personnel, assisted by an MWR Policy Board. This policy board represents echelon two commanders.

Top management implements the strategies handed down by the governing board and assures that the goals are achieved economically, efficiently, and within the funding policy guidance. These objectives are achieved through a management control system. Top management, within the context of this thesis, are the installation commanding officer and executive officer.

Operating managers plan and carry out the day-to-day activities of the organization. These activities are based on specific objectives developed to attain the goals and strategies set forth by the governing board. Operating managers, within the context of MWR, are the club and recreation managers. [Ref. 4: p.c-44]

Management control is the process by which management assures that the organization carries out its strategies effectively and efficiently. All levels of management must understand and devote time to the management control process. [Ref. 4: p.C-44]

D. LIMITS OF MANAGEMENT CONTROL

Control is an important aspect of management, but it is by no means the whole of management. An even more important function is to make judgements about people. Managers must look at ability, potential and fitness for a given job. Since managers are responsible for building an effective human organization, they are also responsible for motivating the people in that organization to work toward its goals. [Ref. 2: p.18]

III. CURRENT POLICIES

The Chief of Naval Personnel (CHNAVPERS), as the representative of the Chief of Naval Operations (CNO), makes the overall policy decisions concerning MWR programs within the Navy [Ref. 9]. CHNAVPERS is assisted by a MWR Policy Board consisting of representation from echelon two commanders. The board helps to accommodate the interests of the chain of command and to provide input to the development of policy and procedures in the MWR area. This chapter deals with policy relating to programming, budgeting, measurement, and reporting within Navy club and recreation programs. These policies are in a process of change which will be explained in more detail in the next chapter.

A. RECREATION

It is the Navy's policy to fund, promote, and provide a well rounded recreation program to ensure the mental and physical well-being of its personnel [Ref. 10]. The recreation program is designed to assist in attaining and sustaining a high level of morale among Navy personnel and their families.

1. Programming

> The mission of Recreation organizations is to provide a varied program of wholesome and constructive off-duty recreation activities for Navy personnel and their family members which will effectively contribute to the mental, physical, social, and educational enrichment of participants [Ref. 11].

This goal led to several requirements in the programming phase of the control process. The first requirement is to develop a Five Year Master Program Plan for each Naval installation. This plan should be reviewed annually and is used for the following purposes: (1) to project and quantify recreational services initiatives based on needs assessment; (2) to provide a meaningful and equitable program prioritization system; and (3) to validate projects by taking into account the adequacy of existing programs and facilities and the program potential. The second requirement is that the Five Year Master Program Plan will include a resource assessment and prioritization of all recreational services on a base. A key element is that priorities will be based on program needs, rather than the availability of fiscal resources. The plan should cover

future expansions, reductions, eliminations, conversions, consolidations and replacement of activities to meet program needs. [Ref. 11]

2. **Budgeting**

As discussed earlier, a budget is "a plan expressed in monetary terms" [Ref. 2: p.11]. Budget objectives can be compared with actual performance, thus revealing any significant variations that ought to be controlled. In morale, welfare, and recreational activities, the responsibility for budgeting rests with two people: the local budget officer and the non-appropriated fund (NAF) activity manager. The budget officer handles the appropriated money and the NAF manager budgets the non-appropriated money. (Appropriated money is designated by Congress to be spent for specific purposes. Non-appropriated funds are generated from the operation of a non-appropriated fund activity, such as revenue generated from fees charged for use of recreational facilities.) Requests for budget estimates should be extended to the lowest level in the chain of command. In MWR activities, divisions under the club and recreation manager would be the lowest level in the chain of command. For example, a division manager under the recreation director might be the golf course manager. [Ref. 12] These estimates are then reviewed and incorporated into a master plan. There is usually a need for some revision of estimates. Each supervisor is given an opportunity to defend the estimates and requests. The various budgets are agreed upon and approved by the commanding officer. Budgets should then be distributed and explained to each supervisor as the operating plan against which their performance will be compared. [Ref. 12]

The types of budgets used by MWR activities are the operating budget, cash budget and capital budget. An operating and capital budget will be prepared for each recreation fund operating under the Recreation and Mess Central Accounting System. Major claimants will provide budget instructions to local commands annually based on guidance received from COMNAVMILPERSCOM (NMPC-11). The operating budget for the upcoming fiscal year will be approved by the local commanding officer and submitted to the major claimant with a copy to reach COMNAVMILPERSCOM by 15 September of each year. A budget record (NAVCOMPT Form 735) shall be maintained by the Recreation Director and organized according to the chart of accounts contained in NAVSO P-3520. [Ref. 12]

a. Operating budget

In its simplest form, the operating budget is: Expected Receipts - Desired Profits = Allowable Costs and Expenses. The desired profit is decided first, then plans are made to increase receipts or reduce allowable costs and expenses to achieve the desired profit objective. The profit objective should be consistent with the need for maintaining the lowest possible price to customers, expansion requirements and other management needs. The final form of the operating budget is the same as for the income statement, with provision made for monthly comparisons. Percentage of total sales is used for all items for analysis and comparative purposes. [Ref. 12]

b. Cash budget

The purpose of this budget is to identify cash resources, to finance operations, pay debts, pay for desired expansion, and keep the business in a liquid position. Sales volume, inventory levels, pricing, credit policies and plans for replacement or expansion of fixed assets should be evaluated in terms of the cash budget and modified, if necessary. The first step is to estimate cash receipts and outlays. A minimum cash balance should be determined that is adequate to meet cash requirements. The cash budget should be prepared monthly to provide a continual forecast. A weekly or even daily cash budget may be necessary when the supply of cash is short. Normally, twelve separate budgets are prepared for the year. [Ref. 12]

c. Capital budget

The capital budget is a summary of proposed expenditures of cash for depreciable assets. This includes additions and extensions to property and equipment, new property and equipment, replacement of property and equipment, and furniture, fixtures and office equipment. The maximum funds available for capital expenditures, without reducing working capital, are measured by retained earnings for a given period, annual allowances for depreciation, and proceeds from long-term loans. The preparation of the capital budget requires two forms. One is a listing of individual projects or fixed asset items to be acquired during a future period. The estimated cost of each, the date and amount of actual expenditures, and the unexpended balance of budgeted expenditures need to be estimated. The second form requires a summary of the capital budget by period. This includes a computation of the total funds estimated to become available for capital expenditures. [Ref. 12]

3. **Operating and measurement**

Absolute standards for measurement are not set for recreational programs because the needs and circumstances of individuals will vary among Navy bases throughout the world. However, certain basic needs, such as the needs for individual and group activities, physical and social activities, and cultural and creative activities are suggested. The activities which appeal to the greatest number should be stressed. But it should be noted that interests will vary among age groups and among family members. The interests of the individual should be recognized, as well as the interests of the group. General guidelines (quoted directly from BUPERSINST 1710.11A [Ref. 11]) against which a recreation program's performance can be measured are: [Ref. 11]

1. To maximize the effectiveness of the Recreation Program, the Recreation Director must promote programs, facilities and services available to base personnel and their families. . .
2. Recreation activities at shore installations should;
    a. Have sufficient staff to provide support for the Fleet as well as for the shore installation.
    b. Provide advisory service to Fleet unit personnel responsible for administering recreation programs.
    c. Establish operating hours of recreation activities in consonance with afloat liberty schedules.
    d. Serve as liaison between Fleet units and recreation program providers in the civilian community.
    e. Coordinate and schedule athletic and recreation events for Fleet units.
    f. Ensure that Fleet units are provided complete information on recreation programs and facilities ashore.
    g. Ensure open channels of communication between Fleet units and recreation activities at host installations ashore. Guidelines on the role of Fleet Recreation Coordinators are contained in NAVMILPERSCOMINST 1710.3.
3. Fund Administrators should ensure that recreation programs offer a wide variety of formal and informal recreation activities to meet the needs and interests of the assigned military personnel and their families.
4. The keys to successful recreation programs are flexibility, balance and planning. Variety in recreation activities should be stressed.
5. Eligible patrons of recreation programs should be informed of commercial recreation facilities which are available in adjacent communities. Such recreation facilities should be used to complement the facilities at the Navy installation, thus enlarging the scope of the installation's total Recreation Program.
6. Every effort should be made to establish recreation programs which exploit the unique characteristics of the surrounding environment.
7. Needs assessments should be conducted at least triennially in order to determine the interests, desires and attitudes of Navy personnel and their families. . .
9. Recreation Directors should from time to time conduct cost analyses of their various activities to ensure that the cost of some are not disproportionate to the cost of the overall program. Emphasis should be placed on those activities which accommodate the preponderance of active duty Navy personnel. . .
10. The Recreation Program should satisfy individual as well as group needs.

11. Every effort should be made to program for families living on the station as well as those living off of the station.

12. New activities should be introduced into the program on a consistent basis and when facilities, qualified leadership and adequate funds are available.

13. There is no substitute for good leadership and supervision. In-service training of leaders and recruitment of qualified personnel are essential elements in achieving quality leadership.

14. There are many places throughout the Recreation Program where volunteers may be used effectively. Such use provides an opportunity for interested individuals to contribute their talents and develop leadership skills.

15. The activities of special interest groups under the aegis of Recreation should be monitored to ensure that they are in keeping with the objectives of the Recreation Program.

16. Recreation Directors should ensure that use of recreation facilities and participation in programs will be equally available to both men and women on active duty. Where joint usage is not possible, procedures must be effected which will provide for equitable use by both Navy men and women.

17. The public relations program utilized within each department establishes the communicative link between the recreation staff and the participant. Public relations should be emphasized throughout the entire recreation organization.

18. Instructional classes provide opportunities for patrons to develop recreation skills and knowledge and should be an integral part of the Recreation Program.

19. Joint programming between clubs and recreation activities to maximize resources and enhance use of on-base facilities and programs is encouraged.

20. Operating hours of recreation activities should coincide with the free time of Navy personnel and their families. Evenings, weekends and holidays are the times when personnel are most likely to participate. However, the extent to which facilities are kept open should be determined by the degree of utilization and the availability of operating funds.

21. Recreation Program staff should coordinate, where appropriate, with other base departments in the Quality of Life arena.

22. Recreation Directors should strive for 100 per cent affirmative replies on the "Smart Compass" Program Assessment Guide and use the guide as a standard for management and services. . .

23. Recreation Directors should be aware of recreation resources in the local community related level of services and fees, and should use such information to plan and program accordingly. . .

Control of operations is achieved through audits and enforcement of internal control procedures. Audits provide all levels of management with an independent, unbiased review, and constructive evaluation of the effectiveness and efficiency with which operations are carried out. Navy policy is that recreation programs and clubs shall be audited by local internal review staffs [Ref. 13]. Comprehensive audits are conducted at least every three years. Certain functions that are highly vulnerable to fraud, waste, and abuse are required to be audited annually. These functions are cash funds and receipts, sales, disbursements, payroll, and merchandise and consumable inventory. [Ref. 13]

When audits are conducted, management controls are tested by interviewing employees who are involved in the work. The information is verified by interviewing others, observation, and limited tests of documents and accounts. Auditors should make use of the internal control questionnaires provided at the end of each section of NMPC's audit instruction. "Yes" answers would indicate adequate controls, whereas "no" answers would indicate inadequate controls. "No" answers prompt further investigation to determine the seriousness of lapses or misstatements which could conceivably result from these weaknesses. [Ref. 13]

Internal control questionnaires for the revenue cycle, the expenditure cycle, the payroll cycle, and the conversion cycle are excellent tools for the evaluation phase of the management control process. Operating managers, as well as internal review staffs, should use these questionnaires.

4. **Reporting and evaluation**

Financial statements of activities operating under the centralized accounting system will be prepared by the COMNAVMILPERSCOM Recreation and Mess Central accounting section. These statements will be delivered on a monthly basis to the operating managers, the commanding officer, and echelon two and three commands. No policy with respect to evaluation was available.

B. CLUBS

The mission of the Navy club system is to promote and maintain the well-being, morale, and efficiency of personnel of the Navy by providing dining, social, and recreational facilities [Ref. 14]. The program on management controls with respect to budgeting, evaluation and reporting is similar to that for recreation programs. Policy differs slightly with respect to programming and measurement.

1. **Programming/Budgeting**

The chief source of policy on Navy clubs, The Manual For Messes Ashore, is not quite as specific as the guidance for recreation programs. The Navy Manual For Messes Ashore states, "The means of planning for and meeting the needs of the mess is proper and adequate budgeting." Programming is not addressed in policy terms except in assigning the mess treasurer the responsibility for "comprehensive advance planning." [Ref. 14]

Budgets are prepared to cover operations for the next fiscal year and contain a narrative of the club managers plans for that year. Budget approval remains with the

local commanding officer, although copies of the budget are submitted to the immediate superior in command and to CHNAVPERS. The Chief of Naval Personnel provides guidance and sets deadlines for submission of non-appropriated fund budgets. [Ref. 14]

2. **Operating and measurement**

All Navy clubs must be operated on a self-sustaining basis. Thus, operations must be kept within the level of patron support. Local departmental and overall profit percentages to be used for measurement and evaluation purposes will be established by the management of each mess. These percentages will be coordinated with the Advisory Group, and submitted for the approval of the commanding officer.

The minimum fiscal posture a Mess is required to maintain, is as follows:

> Break even operations (including all revenue but excluding building depreciation) sustain a ratio of current assets to current liabilities of 1:1 (current assets defined as cash plus accounts receivable, current liabilities include loan repayments due within 90 days). A mess that is self-sustaining on a day to day operating basis but is not generating sufficient capital to finance the costs of renewing furniture, fixtures and equipment is considered to be bordering on financial extremis, with remedial action required locally to improve financial condition. Chain of command shall take appropriate action when an individual mess fails to meet these minimum criteria. [Ref. 14]

In effect, this requirement specifies two financial objectives for MWR activities. (1) Revenues must be sufficient to cover all expenses, except depreciation on building. (2) The ratio of cash plus accounts receivable to current liabilities (commonly referred to as the quick ratio or acid-test ratio) should be maintained at one to one.

Control of operations through audits and internal control procedures follow the same guidelines that recreation programs do.

3. **Reporting and evaluation**

Navy clubs rely on financial statements for the reporting aspect of the management control process. Daily activity reports and summaries along with payroll summaries provide the input to the mess centralized accounting system. NMPC provides printed financial statements to commands. Managers analyze these statements and use them for evaluation of programs. No policy with respect to evaluation was available.

IV. PROJECT "SMART COMPASS"

The administration, supervision and operation of the recreation program and Navy messes ashore is the direct responsibility of the commanding officer. This responsibility is subject to overall administrative guidance provided by the Commander, Naval Military Personnel Command. Chapter III covered the policy provided by NMPC. In this chapter, NMPC's newest procedures for management control, Project "Smart Compass", will be discussed in some detail. These procedures fill the gap between the policy discussed in Chapter III, and the conceptual framework described in Chapter II.

Prior to September 1985, procedures used by commanding officers for management control purposes varied from commanding officer to commanding officer. Larger commands often required more formal control systems than smaller commands. To meet the need for guidance on formal systems of management control, NMPC developed a set of assessment tools for use by commanding officers. These tools became known as Project "Smart Compass" and are to be phased in over the three year period from 1985 to 1987 as standard operating procedures for all commands. The new procedures address the areas of programming, measurement, evaluation, and reporting. Budgeting procedures remain as described in Chapter III.

Project "Smart Compass" was designed to provide local commands with the basic information needed to plan, market, and operate cost-effective programs. Through contractor assistance, NMPC developed tools to help commands with program planning and evaluation to meet the needs of the Navy community. They called the program "Smart Compass" because it would help recreation and club managers in "charting a course". The project has four main parts to be used primarily by Recreation Directors and Club Managers: resource assessment, program assessment, cost assessment, and leisure needs survey. [Ref. 15] Although the assessment tools are designed in more detail for the operating managers' use, results provide valuable information for the various levels of the chain of command. MWR officers and executive officers should be able to use the information to evaluate the efficiency and effectiveness of the various club and recreation programs.

A. PROGRAMMING

The resource assessment guide helps commands to identify base and local community facilities. The information gained from this assessment is useful for long-term planning. It enables the recreation manager to compare what is available on the base to what is available in the community, along with prices, hours and condition of the facilities.

There are two parts to the resource assessment: Navy base recreational facilities and resources and off base recreational facilities and resources. The forms provided to the Recreation manager for base facilities are self explanatory. The manager fills in the number of each type of facility available, their condition, days and hours of operation and fees. A comments column is available to amplify the information presented (e.g., softball fields are lighted). For recreational programs, facilities are categorized by the type of activity: entertainment, social, athletic, arts and crafts, and outdoor and indoor recreation.

There are several requirements for the inventory of off base facilities. One is that the facility must be located within 10 miles or 30 minutes from the base. The facilities may be available in the local community as well as on another military base. Since some installations are located in metropolitan areas and the number of local facilities are countless, NMPC established limits for completing this section of the resource assessment. If there are more than 200 units available in the local community, the manager would fill in "200" in the column labeled number of recreational units. Limits have also been set on the number of square feet reported for a facility. If there are more than 10,000 square feet, the manager would list "10,000".

After completing the forms in the resource assessment guide, recreation managers should have a very accurate picture of the resources that are available to them. There is no resource assessment guide prepared especially for club managers. However, NMPC recommends that club managers assess their competition by visiting similar establishments on base, in the local area, and at other nearby bases to compare menus, prices, entertainment, and service.

The leisure needs survey developed by NMPC is another very helpful tool to the operating manager in the programming process. NMPC recommends that a base-wide survey be completed at least once every three years. For club managers, this would describe potential patrons and identify their interests and expectations concerning food, beverage, and entertainment. Recreation managers find it useful for obtaining data on

target population characteristics, leisure needs and priorities, and use of existing resources. The survey consists of 53 questions and a section for comments on any aspect not covered in the survey.

The programming process continues within the recreational program with the development of a five year plan for programs and facilities that is based on needs, resources, and cost assessment data. (Cost assessment data will be discussed in greater detail in the section on evaluation.) NMPC recommends that specific objectives for all facilities and program activities should be developed annually. The plans are then reviewed with and approved by the commanding officer.

The process for Navy clubs is similar to that for recreational programs. A written, five-year facility improvement plan is developed, and updated annually. This plan is approved by the commanding officer and incorporated into the base master plan. A calendar of planned events and specific written objectives for profitability, patronage and improved services are developed annually.

B. OPERATION AND MEASUREMENT

Project Smart Compass has a program assessment guide which establishes a set of recommended standards of performance for club and recreation managers. These standards are meant to help guide local commands in program planning and operation and to enable club and recreation managers to rate their own programs against an established set of performance measures. Managers will then be able to evaluate program strengths and weaknesses and identify areas for improvement.

A panel of Navy headquarters and field staff along with outside experts in the fields of recreation and restaurant management developed the program assessment guide. Input for the framework of the guide came from a review of organizational effectiveness literature, DOD and Navy studies, instructions, manuals and professional association publications. The resulting standards were based on their potential to predict program success, as measured by patron satisfaction, financial viability, and the judgement of professionals.

There are close to 100 standards in the Program Assessment Guide. They are divided into 7 categories: planning and evaluation; promotion; program implementation; facilities, grounds, and equipment; personnel; organizational management; and, financial management. Appendix A presents the standards for recreation programs and Appendix B shows standards for clubs.

C. EVALUATION

A yes or no answer is recorded for each standard contained in the program assessment guide. To obtain a score for each category, managers would add up their yes responses, divide by the total number of standards and multiply by 100. The score for each category is then multiplied by the weight assigned to the category by NMPC's panel of experts. The weight is determined by its relative contribution to overall program success. Organizational Management and Personnel have a weight of 1. Planning and Evaluation, Promotion, and Facilities, Grounds & Equipment each have a weight of 2. Those dimensions with a weight of 3 are Financial Management and Programming and Program Implementation. An overall program score is obtained by adding up the weighted scores and then dividing this total by 14. The goal is to achieve a score of 100% in each area.

The Cost Assessment Guide is another excellent tool developed by NMPC to aid in the management control process. This guide represents the first step in a Navy-wide effort to determine costs and benefits of specific recreational services. Although the guide was developed mainly for recreational programs, it works for clubs, too. The club programs that can be evaluated are food, bar, sundries, and bingo. (If overseas, slot machines are included.) The information provided as a result of this guide can help managers identify cost/benefit trade-offs involved in allocating program resources.

Three forms are used by accounting technicians in preparing a cost assessment. The Cost Assessment Instrument shows data on non-appropriated and appropriated fund expenses for each program. It also presents non-appropriated fund revenue derived from each program, as well as data on program costs and costs per user. Worksheet 1, entitled "Program Cost Identification, shows general and administrative and appropriated fund costs which are direct costs of programs or services. Worksheet 2, "Cost Allocation", gives the formula and format for proportionate allocation of indirect costs which can not be directly linked to a specific program. The cost allocation formula is: program-specific costs divided by total costs of all programs equal the allocation percentage. The allocation percentage multiplied by the costs to be allocated equal the allocated cost per program. Appendix C shows samples of these forms. Departmental Operations Statements and Summary Operations Statements provide the data on non-appropriated fund costs for all three forms. Appropriated fund cost information should be obtained from the station comptroller. The manager should conduct the cost assessment at the beginning of a new fiscal year, using data

from the fiscal year just completed. If complete and accurate data are not available, program managers need to use their best judgement to allocate costs across programs or services.

With the information on these forms, a manager will be able to evaluate and decide whether to raise fees in a particular program, where to increase promotional efforts to increase the number of users to bring down the cost per user, and whether and when programs should be discontinued.

D. REPORTING AND ANALYSIS

NMPC recommends that commands complete a leisure needs survey and resource assessment at least once every three years, and a cost assessment annually. The cost assessment report should be prepared at the beginning of a new fiscal year, using the data from the fiscal year just completed. [Ref. 15] These reports are useful to all levels of the chain of command in evaluating programs and for long-range planning purposes.

V. CURRENT PRACTICES

The policies provided by NMPC serve as guidelines for the commanding officers of bases with club and recreation programs. But, like any general guidelines, they are subject to interpretation by various managers and are tailored to meet the specific needs of individual commands. To gain an understanding of which management control procedures work well in practice and where the gaps may be between theory, policy and procedure, interviews were conducted at five Navy commands. The following is a summary of the size of the budgets and patron bases at each of the five commands.

- Naval Air Station Alameda has an MWR budget of $7 million with $1.9 million allocated to the recreation program and $1.5 million to the Officers' Club. (The remaining $3.6 million is divided between two other clubs and the Consolidated Package Store. Since recreation programs and officers' clubs are the subject of research, budget figures for the other MWR activities are not given. Only recreation program and officers' club figures are given for the other four commands.) The patron base for the officers' club is 350 active duty, 900 fleet, 200 reserve, 1,500 active duty dependents, 1,000 retirees and dependents, and 1,000 authorized civilians. The patron base for the recreation program is 3,500 active duty, 9,000 fleet, 2,000 reserve, 15,000 active duty dependents, 5,000 retirees and dependents, and 3,000 authorized civilians.

- Naval Air Station Moffett Field's MWR budget is $9 million. The $3 million recreation budget and $1 million Officers' Club budget reflect actual dollar amounts handled and does not include the value of the inventories. The patron base for the officers' club is 1,100 officers, 200 fleet, 800 reserve, 2,300 active duty dependents, and 12,000 retirees and authorized civilians. The patron base for the recreation program is 6,000 active duty, 6,000 dependents, and 700 authorized civilians.

- Naval Postgraduate School has an MWR budget of $3.2 million, a recreation budget of $939,000, and an officers' club budget of $1.2 million. The patron base for the officers' club is estimated at 3,000. This figure includes retirees. Further breakdowns by category are not available. The patron base for the recreation program is 9,725. The only breakdowns in that figure that are available are 1,762 students and 895 other personnel stationed at the Naval Postgraduate School.

- Naval Supply Center Oakland has an MWR/recreation budget of $200,000. This activity supports a recreation program, but no clubs, with a patron base of 280 active duty, 500 fleet, and 2,000 authorized civilians.

- Treasure Island Naval Support Activity's MWR budget is $4.5 million. The recreation budget is $1.1 million, and the officers' club budget is $1.2 million. The officers' club is supported by a patron base of 220 officers and 12,000 other authorized patrons. Further breakdown of the 12,000 figure is not available. The patron base for the recreation program is 1,800 active duty and 10,500 authorized. No further breakdown of the 10,500 authorized patrons is available.

Four executive officers, five MWR officers, three club managers, and five recreation directors responded to questions about management control procedures in their own

club and recreation programs. What follows is a summary of practices at the different levels in the chain of command with respect to programming, budgeting, operation and measurement, and reporting and evaluation.

A. PROGRAMMING

When asked how they did their programming, club and recreation managers' responses varied. One recreation manager said he sets his goals high because the odds are that he's not going to meet them. He plans activities to meet the Navy's physical fitness requirements and prepares to take losses in gyms, pools, and hobby centers. These areas have a history of unprofitability but are required by Navy standards. He relies on attendance reports and surveys for feedback from the patrons. However, he cautions that the reports and surveys are only as good as the people who make them. Another recreation manager replied that programming concepts were clearly defined in NMPC instructions and what was needed were people with skills to do the programming. He never mentioned exactly how he did it, only the fact that he relied on the recreation committee and council as a forum for programming suggestions. A third recreation director stated that his operation was so small that he did not do much in the way of programming. Activities were limited to a drop-in center and softball, volleyball, and basketball leagues. The remaining two recreation directors tied their programming to the budgeting process. The narrative section of the budget contains their program goals for the upcoming year. Whether to continue or discontinue programs was a question of financial feasibility for all the recreation directors interviewed. None of the managers had anything more specific to say about that particular question. One recreation director said that, if people ask for a new program, he advertises it. If fifteen or more people sign up and the activity is financially feasible, he will start the new program. The other directors agree that programming is basically a trial and error practice.

Club managers' responses to programming questions were similar to the recreation managers' answers. Two out of the three interviewed stated that their programming goals were contained in the narrative section of their budgets. The third said he used the guidelines contained in the Manual For Messes Ashore even though it was an outdated instruction. He used feedback from his customers in his decision to continue or discontinue programs. One of the other club managers mentioned feedback from customers along with attendance counts for making these same decisions.

The MWR officers' roles in the programming process varied. An MWR officer at the smallest command was new to the job and had not gotten involved at all in the programming phase. He and his recreation director found themselves reacting to the dictates of the commanding officer, who was a micromanager interested in making his MWR facilities a showplace. Activities were constantly changing. On the opposite end of the spectrum is the MWR officer who sets goals and objectives with his managers. He was the only MWR officer interviewed who is having his people develop a five year plan. Two of the remaining three MWR officers stated that their programming was done in the narrative section of the budget. The fifth MWR officer relied heavily on NMPC's guidelines and the programming skills of his club and recreation manager.

Executive officers got involved to varying degrees with the programming process. Two out of four were not involved at all. The extent to which the third participated was through chairing the Officers' Club Advisory Board and Recreational Council. These were forums where he was able to hear what the service members' interests were and their suggestions for future activities. The goal expressed by this executive officer was to meet the needs of the patrons. Although he preferred to let the club and recreation managers handle their own planning, occasionally he recommended new activities to the club manager which were added to that year's program. The fourth executive officer also mentioned chairing advisory boards as his role in the programming process. He stated his goals for MWR activities slightly differently. The idea for him is to run club and recreation programs as a business. The objective is to come up with a continuing program and to "stay out of jail." (Staying out of jail entails not overspending appropriated funds.) None of the executive officers had anything to say on when to continue or discontinue programs. They left that decision to their MWR officers.

Programming, in practice, does not quite match up with management control theory or NMPC's policy. In theory, programming focuses on programs that stretch over several years. NMPC policy requires the development of a Five Year Master Program Plan for each Naval installation's recreation program, which fits nicely with management control theory. In practice, however, only one command out of five has made an attempt to develop a five year plan. The other four only plan for the upcoming fiscal year.

B. BUDGETING

Of all the MWR officers, club managers, and recreation managers interviewed, all but one agreed that the operating and capital expenditures budget was their chief control tool. (The one MWR director, who felt that budgeting was just a drill on the club side and only slightly more useful for recreation programs, relied heavily on financial statements and trend analysis.) Budgeting procedures for clubs and recreation programs were standard from year to year for operational and capital budgets. COMNAVMILPERSCOM publishes an annual notice giving guidelines for the preparation of the operational and capital budget and sets a due date for budget submission to commanding officers and to NMPC. Club and recreation managers use the standard budget forms provided in the notice. One MWR officer helps recreation and club managers with the budget formulation when the manager's level of expertise is not very high. This same MWR officer includes the command comptroller in the process to assure that non-appropriated fund activities obtain as much appropriated fund support as they are eligible for. Another MWR officer sets budget parameters and has his managers develop the budget. He makes an interesting observation about the pressures involved with club budgets. Club managers always have to budget for a profit even when they know they may barely break even. Monthly, they have to explain why they are losing money. This MWR officer feels that there should be some subsidies for general and administrative expenses, but still insist on food and bar profits.

Comparison of the budget to actual performance throughout the fiscal year is an important element of the budget process for four operating managers and three MWR officers. The other six did not mention this as an aspect of control. The financial statements provide budget data. If the activity is not meeting its budgeted goals, management takes corrective action. Unspecified variances are noted quarterly by one MWR officer and one recreation manager. One club manager analyzes variances monthly. He looks at sales, expenses and net profit but focuses mainly on the sales mix variance. The remaining operating managers and MWR officers did not state the frequency with which they check variances or the variances that they look at.

Only two MWR officers and one club manager interviewed actually used cash budgets. One MWR officer and one recreation director had a feel for their cash position, however, through their financial statements, spread sheets, and looking at their capital expenditures budget. Cash budgets are not required to be submitted to

NMPC. Club and recreation managers prepare these as they deem necessary. The MWR officers and operating managers who used cash budgets prepared them on a monthly basis. Executive officers were involved in the budgeting process only to the extent that the operating and capital expenditures budget went through them to the commanding officer for approval. The four executive officers were briefed annually and in one case, semiannually by the MWR officer on the budget.The executive officer who received the additional mid-year briefing did so to help him determine how much appropriated funds should be applied to the MWR activities to help them break even.

With the exception of the use of cash budgets, actual practice corresponds with management control theory and NMPC policy. NMPC recommends that cash budgets be prepared monthly or as often as necessary. This is the case in only three instances.

C. OPERATIONS AND MEASUREMENT

Operating managers, MWR officers, and executive officers did not have a lot to say in the area of measurement and standards. One executive officer stated that standards are purely subjective. The only requirement is to have enough cash at year end to carry through and put back into the program. A second executive officer replied that the only standards he was concerned with are (1) that the clubs break even and (2) that recreation programs maintain an assigned self-sufficiency percentage of 80%. A self-sufficiency percentage of 80% means that the program can cover 80% of its expenses from its own revenues and requires 20% additional funding from Navy Exchange (NEX) profits, Consolidated Package Store (CPS) profits or from the command's appropriated funds to break even.

A third executive officer links the idea of measurement to inspection. He conducts zone inspections the last Friday of every month and formal inspections once per quarter. The remaining executive officer had no set standards of measurement. He did not use the financial ratios printed on the financial statements because the restricted cash account was not included in the calculations. He did, however, compare the fees charged at his command to those charged at facilities in the civilian community. This was a measure of the reasonableness of the MWR program's prices.

Two of the five MWR officers interviewed had no comments with the respect to the area of measurement. Of the remaining three, one MWR officer stated that he could set no standards because everything changes so quickly. An MWR officer at one of the larger commands noted that he looked at gross profit percentages and

consistency in trends as a way of measuring whether his programs were successful or not. The last MWR officer interviewed answered that his only measurement was to ask the question: How are they doing in meeting their budgeted objectives? Three out of the eight operating managers had comments with respect to measurement. For one club manager, the standards he uses are the projected gross profit margin he assigns himself for his food and bar operations. Sixty-five percent is a common percentage for food and 80% for bar. Other than these basic percentages, no other standards of measurement were mentioned. A recreation manager said he did not use financial ratios as any sort of standard of measurement for his operation. He just looked at the bottom line. Another recreation manager said he used measurable standards for evaluation of his managers and reviewed these standards with them every six months. Examples of standards he cited were budget, new activities generated each month, EEO, and safety. He did not elaborate on how he made these items measurable.

Audits and internal control techniques help managers, MWR officers and executive officers control operations. NMPC clearly defines internal control procedures and application at the local level as an individual matter. Two out of four executive officers had a high degree of interest in this area, especially the executive officer of a medium sized command who controls his MWR program more tightly than he normally would. Several years ago the officers' club manager had embezzled $250,000 of officers' club funds. Internal controls at this command are now rigorously enforced, and, in order to keep control of the MWR activities, this executive officer has weekly MWR meetings. In attendance at this meeting are the commanding officer, executive officer, MWR director, controller, civil engineer representative, club and recreation managers, internal review staff, and the supply officer. The commanding officer and executive officer are briefed on MWR activities' financial status and material problems. The executive officer contends that once the finger pointing subsides, problems are solved quickly. He has found that his MWR staff have often failed to communicate with the right people to get their problems corrected. He states that another way to control operations is to get the best people to fill the managerial positions. Another executive officer also identified key areas of concern in a recent base-wide vulnerability assessment- purchasing and cash handling. Purchasing was identified as an area that required greater control because of the potential for fraud, waste, and abuse due to lack of competition. As an additional internal control, this executive officer signs all purchase requisitions and paychecks.

A third executive officer emphasized a positive interest in MWR activities as a form of control. He and the commanding officer are frequently in and out of the clubs and sometimes do inspections. The fourth executive officer, who was new to the job, had no comments regarding this aspect of the control process. Four of the five MWR officers emphasized the importance of internal controls. Only one of these four MWR officers was dissatisfied with the quality of internal reviews conducted. This MWR officer is an ex-Navy Supply Corps commander who feels that active duty personnel really don't know how to audit or review. The fifth MWR officer, from the smallest command found the audit board helpful. He said his control was informal. His physical presence around the activities coupled with the commanding officer's intense interest in the MWR program was all the control of operations that was necessary. One of the MWR officers also cited as a form of control having the right people in the right jobs so that all aspects of the operation are covered.

Three operating managers mentioned that a major control is just their physical presence. Being working managers with close relationships with the personnel enables them to evaluate the competence of the employees and the effectiveness of the overall system. One recreation manager affirms that knowing one's employees is key since non-appropriated fund employees are generally overworked and underpaid. Regular communication with employees helps eliminate problems before they happen. It helps for management to be aware of personal problems as well as work-related ones. Sometimes timely advice or an empathetic ear can help keep employees honest. This recreation director, along with the MWR officer and executive officer at this large command, agree that interest in people is an important part of their control of operations. Of the remaining four operating manager, two recreation managers had no comments on the area of control. One club manager emphasized the commanding officer's interest and appropriated fund support. Another club manager emphasized the importance of good internal controls, specifically accounting procedures for inventory control.

Control of operations and measurement, in practice, differ from management control theory and policy. Only six out of the fourteen people interviewed used standards for measurement. The control-of-operations operations aspect of the management control process was better covered. Only two operating managers did not mention some sort of control technique.

D. REPORTING AND EVALUATION

Use of reports tended to vary according to the level of the chain of command. Each level felt that it was receiving the correct amount of information. Managers received neither more nor less than they needed. There was only one exception to this last statement, an executive officer who had been in that position for about six weeks. He was receiving only financial statements and felt that there was the possibility of some "creative accounting" going on in the MWR office.

Three out of five recreational directors used daily attendance reports as a tool in the reporting phase of the management control process. Of these three, one used attendance reports only, another used attendance reports and the monthly financial statements, and the third reviewed attendance reports, financial statements, purchase requests, results of sanitation inspections and notes from staff meeting/training sessions. A fourth recreation manager said that his operation was so small that he did not use any reports. The fifth recreation manager stated that the Daily Activity Record (DAR) Summary was one of his key control documents. He could see a daily total and a month to date total which could be compared to the budget. Appendix D shows an example of a DAR Summary form. One of the club managers also used the DAR summary as his key control report. A second club manager uses financial statements and evaluates financial ratios. He also issues standard operating procedures for cash control and labor control. The third club manager relies on daily cost control reports, daily sales records, daily inventories in the bar and the record of break-outs for bar and food. He also uses the monthly financial statements.

Four of the five MWR officers concentrated mainly on financial statements and budgets. The fifth MWR officer was new to the job at a small operation where neither the recreation manager nor the commanding officer reviewed the financial statements. The financial statements reviewed were the balance sheet, income statement, reconciliation of net worth, and the statement of changes in financial position. From these statements, only one MWR officer used financial ratios to evaluate the performance of his programs. Some helpful ratios were the current ratio and the acid test ratio. He stated that the current ratio should not be less than 2:1, and the acid test ratio should not be less than 1:1. At one of the larger commands, an MWR officer devoted more of his time to analyzing figures and trends. When he saw peaks or valleys, he asked questions. Variations in gross profit percentages could normally be attributed to accounting problems or errors in inventory. At a smaller command, one

MWR officer also analyzed the detail contained in the Daily Activity Record Summaries (DARS). DARS showed daily revenues and month-to-date totals for each program element. These figures could then be compared to the budget. Another MWR officer used a checkbook format for monitoring budget, income, expenses and balance. He said the financial statements prepared by NMPC usually arrived too late, and by looking at his "checkbook" report for each program element, he could see at a glance what his budgeted income was compared to actual income, where he was with expenses, and the balance left in the account. He would evaluate these reports on a monthly basis with his managers.

Reports that executive officers received or required varied according to management style from executive officer to executive officer. One executive officer of a large command relied solely on briefings provided by the MWR officer with respect to the financial statements and budget. Another large command's executive officer required monthly management reports in bullet format. These "bullets" contained information as to current financial status, material problems, and any other items of interest that may be especially good or bad. He also required a number of graphs of the following year-to-date information compared to the same information for the previous year: clubs' net profit; clubs' net cash flow; cash on hand; CPS profits; NEX profits; CPS sales; recreation program's revenue; and non-appropriated fund expenses and revenues, along with portions of NEX profits and CPS profits allotted to the NAF activities. Reports required by the other executive officers ranged between these two extremes. One executive officer felt that financial statements were too detailed. He relied on a monthly bulletin similar in format to the "bullets" described above. He also evaluated sanitation reports and internal review reports on a monthly basis. The other executive officer was new to the job and was receiving financial statements that he found too difficult to read, even with what accounting background he had. He expressed a desire for a more simplified report which would show only operating revenue, appropriated fund support, and the bottom line profit.

All those interviewed stated that they evaluated the reports they received, but did not describe what actions they took if correction was necessary.

Reporting and evaluation in practice match up with reporting and evaluation in theory and policy at the larger commands. In the small command where reporting does not seem to exist, the whole management control process is an informal one. It seems that reporting at this particular command is handled face to face with the commanding officer.

E. PROJECT "SMART COMPASS"

When asked about Project "Smart Compass", two of the four executive officers replied that they never heard of it. A third said that the command supports it and the fourth remarked that the leisure needs survey sampled odd things. He thought NMPC made requirements out of things that should not be requirements, such as the need for a hockey rink in southern California. This executive officer did acknowledge that if the survey sample is complete, it gives a better voice to the non-vocal. Of the five MWR officers interviewed, one had not heard of Project "Smart Compass" and another had heard of it but did not know what was involved. A third figured that it would be helpful to put on paper for justification purposes what he already knew. The fourth MWR officer said it would be good to have some industry standards. He also had a five year plan, which the project recommended be developed, in the process of implementation. The last MWR officer thought the project was a great idea and that managers should use NMPC people as advisers. He gives the program assessment portion to each of his managers to use in formulating their budget. All items must receive "yes" responses.

Club managers were not familiar with Project "Smart Compass". One had never heard of it and two had heard of it but did not know what was involved. Recreation managers ranged from one who had never heard of it to one who thought it was a great idea and used the program assessment in formulating his budget. In between, there is one recreation manager who said that if NMPC wants him to do surveys, he will do surveys. The information will be helpful to promote certain activities and to de-emphasize other areas. This particular manager thinks that the cost analysis may be worth the effort just to show that patronage is too low to support a recreation program. A fourth manager said that the purpose of the leisure needs survey is good, but that one has to keep in mind that when you are dealing with people you have to take into consideration their concern for their images. He knows of managers who throw away surveys that show poor results. As he aptly pointed out, the surveys are only as good as the person who uses them. The remaining recreation manager simply said that the program seemed like a good idea.

All of the commands have sent out their leisure needs survey. None of them has received any tabulated results. The furthest that anyone has gotten with the project is to begin developing a five year plan, and this is the case at only one command. It was surprising to note that over a year after the program's introduction, half of those interviewed were not familiar with what is involved in the project.

F. SUMMARY

All levels of the chain of command were satisfied with their management control process. Satisfaction was higher in those who had a great amount of confidence in the person analyzing the numbers. Well-educated and experienced personnel seemed to make the difference.

Guidelines provided by NMPC are viewed as helpful and not overly restrictive. Managers felt that they were the right amount to safeguard resources and enough to encourage creativity. No one had devised any local procedures that worked better than NMPC's policies, though it was noted by one MWR officer that standard operating procedures for employees in areas like cash handling have proven to be helpful.

VI. ANALYSIS AND CONCLUSIONS

There were many gaps in NMPC's policy relating to management control prior to Project "Smart Compass". Project "Smart Compass" fills those gaps, and for this reason these new procedures should become required practice for all Navy commands. Information collected from all the various programs could serve as a basis for Navy-wide measurements, comparable to industry ratios available in private industry.

The measurement phase of the management control process is always the most difficult. Standards that are relevant and quantifiable to an extent are tough to determine. "Smart Compass" lists approximately 100 standards that management can use. If all commands use the standards contained in Appendices A and B, operations should improve and management can gauge how successful their programs are by comparing themselves to a similar sized organization with similar conditions.

For those smaller commands that rely on informal control systems and basically operate their organizations "by the seat of their pants," Project "Smart Compass" provides guidance on recommended procedures. By considering these procedures, managers can provide better information to their superiors, thus avoiding some instances of micro-management. "Smart Compass" may also help both large and small command managers foresee audit discrepancies or financial problems, while there is still time to correct these problems. Managers can therefore be proactive rather than reactive.

Management control practices at the various commands where interviews were conducted are adequate in the eyes of those in command. There are some differences between policy and actual procedures, and some room for improvement. The following is a discussion of each phase of the control process and some recommendations for improvement.

A. PROGRAMMING

As stated earlier, programming focuses on programs that stretch over several years. Project "Smart Compass" and BUPERSINST 1710.11A address this with the requirement to develop a Five Year Master Program Plan for each Naval installation. Interviews show that, in practice, no one plans much beyond the upcoming fiscal year. Only one person out of 14 interviewed had any plans to institute a five-year plan. It is

not unrealistic to expect managers to plan beyond one year. Conditions may change rapidly, but planning involves more than a single act. It is a continuous process [Ref. 6: p.3]. This author recommends that management comply with the requirement and continuously reevaluate and update programs as necessary, on the basis of needs, resources, and costs.

B. BUDGETING

Budgeting is the phase of the management control process where theory and policy fit together very neatly. Budget policy for MWR activities is well defined and consistently followed for the operating and capital budget from year to year. Cash budgets, however, are not prepared in practice. This gap between theory, policy, and practice does not seem to have a great effect on control, according to interviewees at the various commands. Managers compare actual performance with the budget and check variances. The only recommendation in this area is for all commands to practice what the MWR officer at one command did. Involve the station comptroller early in the budgeting process to ensure that the non-appropriated fund activities receive all the appropriated fund support to which they are entitled and for which they are eligible. The comptroller is in the best position to identify sources and availability of appropriated funds for MWR support.

C. OPERATIONS AND MEASUREMENT

Control of operations as discussed so far has included internal controls and auditing. As with the budgeting phase, there appear to be no gaps here with respect to theory, policy, and practice. However, it may be helpful to focus briefly on one of the six elements of internal control, that of competent, trustworthy personnel.

Executive officers and MWR officers admit that having knowledgeable, experienced people in the club manager and recreation director positions is key to the success of the program. The problem is attracting these good people to jobs for which the pay is not commensurate with their abilities. A recommendation is to upgrade these positions where possible and to make extensive use of an incentive award system using non-appropriated funds.

Another recommendation for controlling operations through people is to provide incentive awards for significant contributions that improve the efficiency and effectiveness of the operation. Any incentive that would motivate employees to strive for the goals of the organization is worth considering.

Measurement is a phase of the control process which needs more attention in practice. Prior to Project "Smart Compass" the only standard that existed in policy was that Navy clubs must break-even and maintain a quick ratio of 1:1. (NAVPERS 15951 calls this a current ratio, but in actuality, it is a quick, or acid test ratio.) Now, in Appendices A and B, there are over 100 standards management can use in evaluating their programs. None of them are perfect, though practically all of them are adequate. In a Wall Street Journal article, Peter Drucker made some comments about measurement that are especially applicable here.

> What exactly the best measurement is. . . hotly debated by economists, accountants, and management scientists. For the practitioner, however, it makes little, perhaps even no difference which of the measurements he adopts. . . And no matter which specific measurement a company chooses, it will not give precise readings; all of them have built in a substantial margin of error, if only because accurate information does not exist in any of the areas. But again this is not crucially important for the practitioner. What matters to him is not the absolute magnitude in any area but the trend. . . that the measurements will give him no matter how crude and approximate the individual readings are by themselves. Without such information a business does not really know how it performs and whether it is headed in the right direction; it may not wake up early enough to the need to take corrective action. [Ref. 16: p. 24]

The message is clear: trend analysis is important. Some MWR officers that were interviewed are already doing this. A recommendation is that all managers track gross profit margins or self-sufficiency percentages or whichever standards they choose and check any wide or recurring small variations while there is time to take corrective action, if necessary.

D. REPORTING AND EVALUATION

Interviewees mentioned no problems with their reporting systems. Theory, policy, and practice on reporting seem to be consistent with each other. It is interesting to note that, in practice, almost every person interviewed felt that they were getting exactly the right amount of information to meet their needs.

Evaluation will improve when results from Project "Smart Compass" are accumulated. Commands will then have performance data on other clubs and recreation programs to use as a benchmark in evaluating their own programs.

E. SOME FINAL THOUGHTS

The key to a good management control system in MWR activities is a commanding officer and executive officer who have an interest in, understand, and are

willing to devote time to the management control process. This was the case with two out of the four executive officers interviewed. Of the remaining two, one had taken over the position just six weeks prior to the interview. Although he had an interest in the control system, he did not yet have an understanding of how the process operates. The other executive officer had an interest in MWR activities, but relied on the MWR officer to devote the time to the management control process. If managers do not have this kind of support, then management control will be ineffective, no matter how well designed the system itself may be.

The tools are all available in NMPC's Project "Smart Compass" for managers who want to learn how to control their organizations effectively. The question is, will managers take the time to learn how to use these procedures, or will they be too caught up in their day-to-day operations? This is where command interest can influence the outcome. The best managers will take the initiative and strengthen their control system. Others, though well-meaning and hard-working, may require training. NMPC should make training available to those managers who need it.

Project "Smart Compass" combined with NMPC's policy on budgeting and local audits provides a good management control system for all levels of the chain of command involved in MWR activities. Though larger commands tend to use more formal systems than smaller commands do, smaller commands can benefit greatly from these formal procedures. A point to remember about control is that it is only one aspect of management. Managers should let their circumstances determine the reasonableness of their controls. No system will ever be perfect or predictable when people are a major factor in the process, because managers do not control people; they motivate them. With that thought in mind, it is easy to understand why there is no definitive model of management control. But the previous discussion of programming, budgeting, measurement, reporting and evaluation gives some frame of reference for interested managers.

APPENDIX A

STANDARDS FOR RECREATIONAL PROGRAMS

1. PLANNING AND EVALUATION

Needs Assessment

1. A comprehensive, written needs assessment survey is conducted every three years to provide data on target population characteristics, leisure needs and priorities, and utilization of existing resources.

2. At least one specialized market analysis is conducted every year, focused on either a particular target population (e.g., active duty, spouses, youth, children, etc.) or a particular program area (e.g., fitness, hobbies, organized sports, etc.) Specialized market analyses can be conducted through small, targeted surveys, patron focus groups, or special advisory group studies.

3. A comprehensive inventory of on-base and representative off-base resources is conducted and recorded at least once every three years.

4. Information on fees charged by competing programs is updated at least annually.

Program Planning

1. Recreation Services has developed a comprehensive, five year plan for programs and facilities, that is based on needs, resource, and cost assessment data.

2. The comprehensive plan is reviewed with and approved by the command, and is reflected in the budget and POM [Program Objective Memorandum] plans.

3. Specific written objectives for all facilities and program activities are developed annually.

4. Activity managers and division directors participate in the development of the program plan and budget as it affects the areas for which they are responsible.

5. The Recreation Director makes annual input into the base APF budgeting process, including input on both annual and outyear POM requirements.

Facility Planning

1. All objectives and plans related to facility improvement, renovation or construction are submitted annually to public works for incorporation into the base master facility plan.

2. The MWR Director, Recreation Director or their representative serves as a member of the installation Facility Planning Board.

3. Prior to all new construction or major expansion efforts, Recreation Services conducts detailed studies of need that examine projected operating costs, program revenues, utilization and self-sufficiency rates.

4. Recreation Services staff develop the initial design criteria for all proposed construction projects and participate in design meetings.

Program Evaluation

1. Formal mechanisms are established to obtain patron evaluation feedback at least annually, on every major recreation program or activity (e.g., bowling, hobbies, organized sports, child care, etc.). These mechanisms may include comment cards, patron surveys, special activity advisory groups or focus group meetings.

2. User statistics are kept daily and compiled at least monthly to provide data on levels of utilization for each activity. Where daily recording of user statistics is not feasible, statistical sampling methods are used.

3. Evaluation feedback is obtained quarterly from Recreation advisory groups.

4. The Recreation Director can list at least three specific program or management changes made each quarter as a result of evaluation data obtained from program evaluation mechanisms (such as those listed above).

2. PROMOTION

Publicity

1. A directory of all available services (including information an location, hours of operation, and telephone numbers) is updated and published annually and distributed to all potential patrons.

2. On-going programs and activities and special events are regularly publicized through all of the following: a monthly calendar of recreational events; announcements daily in the Plan of the Day (POD) and weekly in the base newspaper; and notices on outdoor display signs (wherever available).

3. Recreation information is posted on bulletin boards or is otherwise available in key locations, recreation facilities, clubs, administration building, and tenant commands.

4. Initial announcements of special events are made at least four weeks in advance, and pre-planned follow-up announcements are made up to the date of the event.

5. Old announcements are routinely removed within 24 hours after the event.

6. All promotional materials (calendars, flyers, announcements) make extensive use of attractive graphics, and major announcements use color and professional illustration and printing.

7. The Recreation Program uses a consistent graphic theme or logo identified with the base program.

8. Off-base recreation opportunities are publicized regularly by Recreation Services.

Personal Contact

1. At fleet ports, information about Recreation Services is sent to incoming ships at least one week in advance of arrival, and Recreation staff provide an on-board presentation either before or shortly after arrival.

2. On shore, Recreation staff regularly make presentations and provide information at orientation meetings for new personnel.

3. Recreation staff make at least 10 presentations a year to eligible patron groups, such as tenant commands, ombudsmen councils, wives clubs, Retired Officers Association, housing groups, the Brig, etc.

4. Free or discounted lessons or services are periodically offered to attract new patrons.

5. Recreation Services has at least one position with designated responsibility for program promotion.

3. PROGRAM IMPLEMENTATION

Programming

1. A range of varied recreation programs or activities are available to each target population including male active duty, female active duty, spouses, children under 10, youth aged 10-18, and retirees (where applicable).

2. At a minimum, each base program provides the following programs or activities either directly or through promotion of off-base programs: physical activities (sports, physical fitness), outdoor recreation (recreation equipment checkout, picnic areas), community activities (motion pictures, recreation classes, special events, family/youth programs), information, ticket, tour, and travel (local information brochures, local tours, entertainment tickets), auto hobby (automotive repair), arts and crafts, aquatics (swimming program)

3. At least five new programs or activities are introduced each year.

4. Recreation holds or co-sponsors at least two major special events (e.g., family picnic, Christmas party, 10K run, etc.) each year.

5. At least monthly, the Recreation Director reviews user statistics in relation to program capacity and makes appropriate adjustments in services, scheduling or marketing strategy.

6. Weak programs are identified and efforts made to increase utilization through increased promotion and program improvements. Consistently weak programs are routinely phased out with a plan to minimize customer dissatisfaction.

Program Accessibility

1. Beginning instruction is normally available for all recreation activities requiring acquired skills.

2. The majority of recreation activities are open at least six days a week and during prime off-duty hours, including holidays. These hours reflect the needs of patrons as expressed in the most recent Leisure Needs Survey.

Customer Service

1. All Recreation Services staff who have patron contact wear badges or distinctive clothing which identifies them as recreation staff.

2. Activity and facility managers regularly monitor staff appearance and take action as required to ensure that all staff are neat, clean, odor-free and appropriately dressed.

3. Within one minute of entering a facility, patrons are greeted and asked if they can be helped.

4. The Recreation Director keeps a written record or log of all written and oral complaints received by his office.

5. The Recreation Director's office receives, on the average, no more than three complaints per month for a small or medium-sized program, or no more than six complaints per month for a large program.

6. All complaints received by the Recreation Director's office are followed up promptly by the manager or his designee. All written complaints receive a written response.

Program Quality

1. At least 55% of the base population (40% at small bases) rate the overall quality of recreation services offered at the base as "good" or "very good" as measured by the most recent Navy Leisure Needs Survey.

2. At least 40% of the base population (30% at small bases) believe that base recreation services meet their leisure needs "quite well" or "very well", as measured by the most recent Navy Leisure Needs Survey.

3. At least 60% of the base population rate the quality of personnel as "good" or "very good" at most base recreation facilities, as measured by the most recent Navy Leisure Needs Survey.

4. FACILITIES, GROUNDS AND EQUIPMENT

Physical Environment

1. All major facilities were constructed or have undergone extensive renovation within the past 15 years.

2. All facilities are attractively decorated and comfortably furnished, and have no visible signs of damage.

3. All facilities, including rest rooms, are neat,clean, and well supplied.

4. Most facilities were rated "good" or "very good" by at least 60% of the base population, as measured by the most recent Navy Leisure Needs Survey.

Maintenance

1. Regularly scheduled preventive maintenance is performed for facilities, grounds, vehicles and equipment by either Recreation Services or public works.

2. A single Recreation staff member logs, reports, and tracks all work requests to public works.

3. Procurement or repair action is initiated within 48 hours for damaged or lost equipment.

4. Maintenance and repair activities are usually completed within one month of requests for service.

5. No major piece of equipment is out of service for more than 7 days during the year in CONUS, 14 days overseas.

Safety/Sanitation

1. Visual inspections of safety/sanitation are conducted daily by the facility manager.

2. All facilities received all satisfactory ratings in both safety and sanitation during the past year.

3. Action to correct safety and sanitation violations is initiated within 24 hours, and violations are corrected within 3 weeks on the average.

5. PERSONNEL

Staffing

1. Staffing levels are reviewed at least monthly and adjusted as necessary to ensure that staffing is appropriate to the level of patron use.

2. Work schedules for facility managers and supervisors correspond to the peak hours of patron use.

Recruitment

1. Recreation Services has a Recreation Intern Program to attract qualified entry level personnel and expand service capabilities.

2. Reference checks are completed for all job candidates; National agency checks are initiated by the time of hiring for positions involving child care, youth activities, or handling cash.

Personnel Management

1. Vacant front-line positions are routinely filled with 2 weeks of vacancy; vacant managerial positions are filled within 3 months of vacancy.

2. Position descriptions are reviewed with the employee annually and revised as necessary.

3. Supervisors provide informal feedback on performance to all employees at least weekly.

4. Supervisors meet individually with each employee to provide formal feedback on performance at least once per year in addition to the annual performance evaluation, preferably half-way through the annual performance cycle.

5. An employee recognition program is established with at least annual awards, special plaques, cash or other incentives to recognize all employees who meet an established standard.

Staff Development

1. Orientation sessions for all new employees are conducted by Recreation Services staff. Large programs have their own orientation manuals or materials to communicate policies, expectations, and service philosophy.

2. All employees participate in in-house seminars or training sessions at least twice a year.

3. Managers and key employees spend an average of at least 5 days per year in formal job-related staff development activities, such as training courses, professional conferences, advanced job-related education, seminars, etc.

Volunteers

1. Volunteers are used for special events, family recreation programs, and other activities as appropriate.

2. When volunteers are used, they are always properly supervised and formally recognized for their contribution.

6. ORGANIZATIONAL MANAGEMENT

Organization Structure

1. A current organization chart specifying levels of authority and functional responsibilities for each position is prominently posted or is distributed to all employees.

Leadership

1. The Recreation Director or assistant conducts "walkthroughs" of all facilities at least weekly, holding informal discussions with staff and soliciting patron feedback.

2. All staff participate in branch or department staff meetings at least monthly.

3. The Recreation Director (or MWR Director) participates regularly in base Department Head meetings and all base committeees or meetings affecting MWR.

4. In addition to Department Head meetings, the Recreation Director has meetings or briefings with the base CO at least monthly.

Policies and Procedures

1. Local command instructions are developed by the Recreation staff to implement Navy instructions and reflect the local situation. Instructions are reviewed and updated at least every three years.

2. There are no discrepancies in procurement practices noted in the most recent audit reports or ISIC [Immediate Superior In Command] inspection. Multiple quotations are obtained for all purchases over $500, in accordance with NMPC requirements.

Information Management

1. A report filing or tickler system is used for future reporting requirements to ensure that all reports are submitted on or before the due date.

2. On the average, no more than 3 discrepancy notices are received per month on reports filed with NMPC.

3. Computers are used to support basic business operations including inventory and fixed asset accounting, accounts payable/receivable, budgeting and general ledger. Medium and large bases also use computers for cost accounting and to assist with selected personnel and program operations, such as scheduling, handicapping, reservations, mailing,etc.

7. FINANCIAL MANAGEMENT

Financial Viability

1. The Recreation Fund receives at least 75% of the APF support that it is authorized in accordance with NAVCOMPT Manual Vol.III.

2. The Recreation Services manager negotiates self-sufficiency goals annually with the base CO and meets agreed upon objectives by activity and overall.

3. The acid test ratio is usually no less than 1:1 and no more than 2:1 in any month.

4. If the acid test ratio goes below 1:1 or above 2:1 for three consecutive months, there is an immediate re-evaluation within the department and the command of program and financial requirements (e.g., program expansion or contraction, promotion, pricing, spending rates, etc.).

Budget Management

1. The Recreation Director meets quarterly with the APF [Appropriated Fund] comptroller to review APF support levels and documented APF shortfalls.

2. Written inputs for budget development are submitted from all division directors or activity managers.

3. Division directors or activity managers are given approved budgets for their activity and responsibility to manage within those budgets. Progress is reviewed with them at least quarterly.

4. On the average, the quarterly variance between budgeted and actual net operating profit and between budgeted and actual general and administrative expenses is 10% or less.

5. Corrective action (in expenditures, promotion, or pricing) is taken if the variance significantly exceeds the above standards in any quarter.

6. Fees and charges are reviewed, and adjusted as necessary, at least annually in conjunction with the budget process.

Fiscal Controls

1. A report on the aging of accounts receivable and payable is prepared and reviewed monthly.

2. At least 90% of all accounts receivable are collected within 30 days of the billing date.

3. Invoices are paid on time, i.e., no penalties for late payment are incurred, but no invoices are paid before they are due.

4. Inventory of fixed assets is performed at least annually.

5. The average monthly resale inventory ratio is less than 3:1, unless justified because of exceptional volume purchases or long lead times for procurement. (Resale inventory ratio = dollar value of inventory divided by the cost of goods sold in one month).

6. Unscheduled cash counts are conducted at least twice a month.

7. Comprehensive audits are made by internal review at least once every three years. Audits of cash funds, sales, disbursements, payroll, and inventories are conducted at least annually by internal review.

APPENDIX B

STANDARDS FOR CLUBS

1. PLANNING AND EVALUATION

Needs Assessment

1. At least once every three years, a base-wide needs assessment survey is conducted to provide profiles of potential patrons and identify interests and expectations concerning food, beverage, and entertainment.
2. At least once per year, the club/mess conducts a special survey or focus groups to track changes in consumer preferences for food, entertainment, and other services.
3. The manager assesses his competition at least once a year by visiting similar establishments on base, in the immediate vicinity, and at other nearby bases to assess their menu, prices, entertainment, service, and other amenities.

Planning

1. The club/mess has developed a written, five-year facility improvement plan, and updates it annually.
2. The long-term plan is approved by the CO [Commanding Officer] and incorporated into the base master plan, with resource requirements identified in both the NAF and APF budgets, including the outyears.
3. Specific written objectives for profitability, patronage, and improved services are developed annually.
4. A calendar of planned events is developed annually.

Evaluation

1. Comment cards are regularly available on the tables.
2. Comment cards are reviewed by the manager on a daily basis.
3. At least once per quarter, on a randomly selected evening or lunch period or at special events, expanded comment forms or mini patron surveys are provided directly to all patrons to get detailed feedback on food, service, entertainment, and environment.
4. Statistics on the number of patrons at lunch and dinner are kept daily and compiled weekly.
5. Scatter sheets are used to keep track of sales of individual items.
6. Evaluation feedback is obtained quarterly from advisory groups.
7. The manager reviews trends in comment cards, patronage levels, scatter sheets, and financial progress at least monthly to identify needed changes in services, marketing, or expenditure.

2. PROMOTION

Publicity

1. Information on club/mess events and on food and beverage specials is prominently displayed in the club lobby, using posters, display boards, and handouts/flyers.

2. A monthly calendar covering food specials, special events, and entertainment is published and distributed to a club mailing list and to all commands.

3. Both ongoing programs and special events are regularly advertised in the base paper,

4. Information on club/mess hours, location, and offerings is included in the base directory, orientation materials, and welcome aboard packages.

5. Information on the club/mess and upcoming special events is sent in advance to welcome all ships, boats or squadrons on deployment to the base or returning from deployment.

6. Club/mess marquees and outdoor base display boards are used to publicize special club events.

7. Flyers on special club/mess events or food offerings are distributed to all commands and the base housing areas and are available in the commissary, exchange, and package and convenience stores.

8. Advance publicity on special events is prepared at least 4 weeks prior to the event, with follow-up publicity until the event.

9. Old announcements are routinely removed within 24 hours after an event.

Personal Contact

1. Information on the club/mess, including upcoming events, is presented verbally at all indoctrination sessions.

2. The club manager and/or assistant manager makes presentations to eligible patron groups (e.g., wives clubs, retiree organizations, housing groups) at least twice a year.

Image

1. All promotional materials (calendars, posters, flyers, announcements) make extensive use of attractive graphics, including a consistent graphic theme or logo identified with the club/mess; major announcements use color and professional illustration and printing.

2. The club/mess has a local name which is commonly used on promotional materials and recognized on the base.

3. PROGRAM IMPLEMENTATION

Programming

1. Some form of special promotion (food or entertainment) is offered at least twice a month.

2. At least 8 major, open club/mess events (e.g., Octoberfest, Navy Day Ball, Halloween party, Italian festival, New Year's Party, etc.) are provided each year.

3. New food services (e.g., fast food line, omelet bar, ethnic specialties) or new types of entertainment events are introduced at least once a quarter.

4. Services, food items, entertainment or special events are discontinued if low utilization or low profitability persists after intensive promotion and adjustments based on consumer comments.

5. The club/mess promotes responsible use of alcohol through: posted information on responsible drinking, promotion of alcohol alternatives, monitoring of patron drinking, and provision of alternative transportation.

Food Preparation

1. Low-fat, low-cholesterol, and low-salt alternatives are offered on the menu.
2. If hot meals are offered at either lunch or dinner, the menu includes entrees prepared using at least four different cooking methods (e.g., deep fried, baked, broiled, sauteed, etc.)
3. Fresh vegetables are used routinely wherever they are available.
4. The club mess offers a "signature item" and/or at least one "trendy food item" on its menu.

Hospitality - Full Service

1. Customers are usually greeted by the hostess within one minute and provided with accurate information on the length of the wait for seating, if any.
2. Within three minutes of seating, customer presence is acknowledged by the server and appetizer or beverage orders are taken.
3. Prior to taking orders, the server explains buffet or salad bar service and recites a list of daily specials, if any, and notifies the patron of any items which are sold out.
4. Lunch is served within 15 minutes, and dinner (main course) is served within 30 minutes after the order is taken.
5. After the customer has tasted the main course, the server returns to the table to make sure everything is satisfactory.
6. Tables are cleared and beverage or dessert orders are taken within 5 minutes after all the guests have finished eating. Dirty dishes and utensils are removed from the dining area immediately.

Hospitality - Fast Food Service

1. No more than 10 minutes is required to get through the buffet or fast food service line.
2. Tables are consistently cleared and reset within 2-4 minutes after a patron leaves.

Hospitality - Bar/Lounge

1. In the bar or lounge area, patron presence is acknowledged within 20 seconds of seating and a napkin is placed in front of the patron.
2. Orders are taken within 3 minutes and drinks are served within 5 minutes of seating.

Customer Service

1. All customer service staff are regularly instructed about the importance of smiling and having a pleasant demeanor with patrons at all times.
2. Customer service personnel are clearly identifiable through attractive, coordinated uniforms or other appropriate dress.
3. Customer service staff are neat, clean, and odor-free at all times.
4. A daily pre-service inspection of staff appearance is held for each shift by the manager, assistant manager, night duty manager or dining room supervisor.
5. The manager, assistant manager, or night duty manager is visible and available in club public areas during peak periods, greeting patrons and soliciting patron feedback on food, service and entertainment.

Complaint Handling

1. Any complaint about the meal to a server, dining room hostess or club manager is handled before the patron leaves the club.
2. The assistant manager or dining room supervisor is authorized to adjust the bill if food or service is unsatisfactory.
3. No more than 5 written letters of complaint (not including comment cards) are sent per year to the manager or to the command.
4. All complaints, received verbally, in writing, or on comment cards are followed up promptly by the manager or his designee with the patron and/or the staff involved, as appropriate.
5. Written letters of complaint receive a written response from the club manager.

Patron Satisfaction

1. At least 40% of the potential patron base rates the overall quality of club/mess services as "good" or "very good", as measured by the most recent Navy Leisure Needs Survey.
2. No more than 25% of the patrons list the quality of either food, beverages, service or entertainment as a problem, on the most recent Navy Leisure Needs Survey.

4. FACILITIES, GROUNDS AND EQUIPMENT

Physical Environment

1. The club/mess was constructed or has undergone extensive renovation within the last 15 years.
2. The club/mess is attractively decorated, comfortably furnished and free of any visible damage.
3. The club/mess dining rooms, bar area, and rest rooms are consistently neat, clean, and well supplied.
4. Visual inspections of safety, sanitation and appearance for all club/mess spaces, including rest rooms, are conducted at least twice a day by the club manager, assistant manager and night duty manager.
5. Some physical improvement to the club/mess facility, furnishing or fixtures is made every year.
6. At least 50% of the eligible patron base rates the quality of all of the club's facilities as "good" or "very good", as measured by the most recent Navy Leisure Needs Survey.

Maintenance

1. Preventive maintenance is performed according to schedule for the club/mess facility, grounds and equipment by either club staff or public works.
2. No major piece of equipment is out of service for more than 3 days a year in a CONUS club/mess or more than 7 days per year in an overseas club/
3. Maintenance and repair activities are normally completed within two weeks of requests for service.
4. Within the past 12 months, the club/mess received no score less than 80%, and averaged 90% or above, on environmental health inspection reports.

5. All sanitation violations are corrected promptly, such that no violation is cited on more than two consecutive inspection reports.

5. PERSONNEL

Supervisory Feedback

1. Supervisors provide informal feedback to staff on their performance on a daily basis.
2. Formal feedback on staff performance is provided at least once a year by the manager or department supervisor, in addition to the annual performance evaluation, preferably halfway through the annual performance cycle.
3. The club/mess has an employee recognition program with at least annual awards, special plaques, or other incentives for all employees who meet established standards.

Staff Development

1. Orientation sessions for all new employees are conducted by club/mess staff.
2. The club/mess has developed its own orientation materials or manuals to communicate policies, expectations, service philosophy, and standards for service.
3. Managers, supervisors and key service personnel spend an average of at least 3 days per year in outside training and education (e.g., sanitation, culinary arts, food handling, wine service, mess management conference, substance abuse, etc.).
4. All staff participate in in-house training or seminars at least 4 times per year to improve job performance. (Topics could include table setting, food service, bar service, money handling, bussing, security, substance abuse, etc.)
5. In-house training or seminars for staff are conducted in accordance with a planned schedule or agenda.

Staff Turnover

1. The overall controllable turnover rate is less than 15% per year for full and regular part-time staff. (Controllable turnover excludes losses due to retirement, or military rotation).
2. Vacant front-line positions are routinely filled within 2 weeks of vacancy; vacant managerial positions are filled within 3 months of vacancy.

Quality

1. At least 50% of the patrons rate the quality of personnel as "good" or "very good", as measured by the most recent Navy Leisure Needs Survey.

6. ORGANIZATIONAL MANAGEMENT

Organizational Structure

1. A current organizational chart specifying levels of authority and functional responsibilities for each position is posted or universally distributed.

Leadership

1. All staff participate in a staff meeting monthly.

2. The club manager (or club coordinator) has meetings or briefings with the base CO at least monthly.

Policies and Procedures

1. The club manager participates in drafting local instructions from the command to implement CNMPC and other official instructions and reflect the local situation. Instructions are reviewed and updated at least every two years.

2. There are no discrepancies in procurement practices noted in the most recent audit reports or ISIC inspection. Multiple quotations are obtained for all purchases over$500, in accordance with NMPC requirements.

Information Management

1. A report filing plan or tickler system is used for future reporting requirements to insure that all reports are submitted on or before the due date.

2. On the average, no more than three discrepancy notices are received per quarter from reports filed with CNMPC or the major claimant.

3. Medium and large clubs/messes use computers to support basic business processes, including accounts payable/receivable, inventory and fixed assets, budgeting, general ledger, and mailing lists.

7. FINANCIAL MANAGEMENT

Financial Viability

1. The club/mess receives at least 75% of the Appropriated Fund (APF) support that it is authorized in accordance with NAVCOMPT Manual Vol. VII.

2. Net profit -- revenue (less capital grants from all sources) minus costs (less depreciation for buildings) -- meets the specific percentage goal assigned by the Major Claimant or Major Claimant designee. In the absence of a Major Claimant goal assignment, net profit meets the mandatory profit goal of 5% (in CONUS) or 7% (overseas) of Resale and Program Revenue.

Budget Development and Management

1. The club manager meets quarterly with the APF comptroller to review APF support levels and discuss documented APF shortfalls.

2. The club manager solicits input from senior club/mess staff (e.g., department heads, food and bar managers) in the budget development process.

3. In clubs/messes with department managers, department managers are given specific profit objectives for their departments and are responsible for managing to meet those objectives.

4. The average variance between budgeted and actual revenue and expenses is 10% or less.

5. Comparisons of actual revenue and expenses against budgeted revenue and expenses are made at least quarterly. Corrective action is taken if the actual net operating profit falls 2% or more below projections.

Fiscal Controls

1. A report on the aging of accounts receivable and payable is prepared and reviewed monthly.

2. At least 90% of all accounts receivable are collected within 30 days of the billing date.

3. Invoices are paid on time, i.e., no late payment penalties are incurred, but no invoices are paid before they are due.

4. The acid test ratio is no less than 1:1 and no more than 2:1, on the average.

5. If the acid test ratio goes below 1:1 or above 2:1 for 3 consecutive months, there is an immediate re-evaluation within the department and the command of program and financial requirements (e.g., program expansion/contraction, spending rate, pricing, promotion, etc.).

6. An average monthly inventory turnover rate of at least 2:1 is maintained in CONUS and Hawaii, and at least .75:1 overseas.

7. Unscheduled cash counts are conducted at least twice a month.

8. Prices are reviewed at least twice a year and adjusted as needed based on budget needs and market factors.

9. Comprehensive audits are made by internal review at least once every three years. Audits of cash funds, sales, disbursements, payroll, and inventories are conducted at least annually by internal review.

APPENDIX C

COST ASSESSMENT INSTRUMENTS

NAVY RECREATIONAL SERVICES
COST ASSESSMENT INSTRUMENT

Fiscal Year _____ Installation Name _____
Type of Activity _____

COST CATEGORIES	TOTAL ALL PROGRAMS	PROGRAM CODES									
NON APPROPRIATED FUNDS (NAF)											
1. Cost of goods sold											
2. Direct expenses											
3. Identifiable G&A expenses (Worksheet #1)											
4. Program specific costs (line 1 + line 2 + line 3)											
5. Allocated G&A expenses (Worksheet #2)											
6. Total NAF costs (line 4 + line 5)											
APPROPRIATED FUNDS (APF)											
7. Identifiable APF costs (Worksheet #1)											
8. Allocated APF costs (Worksheet #2)											
9. Total APF costs (line 7 + line 8)											
TOTAL COSTS											
10. Total NAF + APF (line 6 + line 9)											
NAF REVENUE											
11. Resale revenue											
12. Program revenue											
13. Associated miscellaneous revenue											
14. Total NAF revenue (line 11 + line 12 + line 13)											
SUMMARY											
15. Net program costs (line 10 – line 14)											
16. NAF revenue % of NAF costs (line 14 ÷ line 6)											
17. NAF revenue % of total costs (line 14 ÷ line 10)											
18. Annual number of users											
19. Total cost per user (line 10 ÷ line 18)											
20. Net (subsidized) cost per user (line 15 ÷ line 18)											

Manager _____ Prepared By _____ Date Prepared _____

NAVY RECREATIONAL SERVICES COST ASSESSMENT
WORKSHEET #1 — PROGRAM COST IDENTIFICATION

NAF _____ APF _____

Installation Name _____

Type of Activity _____

1. Total G&A or APF Costs: $_____

2. Expense Elements Directly Attributable to Specific Programs:

	TOTAL ALL PROGRAMS	PROGRAM CODES									
a. Labor costs											
b. Utilities costs											
c. Vehicle expense											
d. Depreciation											
e. Entertainment											
f. Other											
3. Total Identifiable Program Costs											

4. Total Costs to be Allocated: (line 1 – line 3) $ _____

NAVY RECREATIONAL SERVICES COST ASSESSMENT
WORKSHEET #2 — COST ALLOCATION

NAF____ APF____

Installation Name _____

1. Costs to be Allocated: $ _____
   (Item 4, Worksheet #1)

Type of Activity _____

2. Cost Allocation Formula:

   Program-Specific Costs + Total Costs-All Programs = Allocation Percentage (%)
   Allocation Percentage (%) × Costs to be Allocated = Allocated Cost Per Program

3. Program Allocation Computations:

Program Code/Name	Program-Specific Costs	÷	Total Costs-All Programs	=	%	×	Costs to be Allocated	=	Allocated Cost Per Program
		÷		=		×		=	
		÷		=		×		=	
		÷		=		×		=	
		÷		=		×		=	
		÷		=		×		=	
		÷		=		×		=	
		÷		=		×		=	
		÷		=		×		=	
		÷		=		×		=	
		÷		=		×		=	

TOTAL COSTS ALLOCATED

APPENDIX D

DAILY ACTIVITY RECORD SUMMARY

DAILY ACTIVITY RECORD SUMMARY
NAVPERS 7010—11 (10-83)

ACTIVITY NAME/LOCATION	SOURCE	ACTIVITY NO	MONTH	DAY	YEAR	REPORT NO
	20					

DEBITS	ACCOUNT NUMBER	DAILY AMOUNT	MONTH TO DATE AMOUNT	SALES AND OTHER RECEIPTS CREDITS	ACCOUNT NUMBER	DAILY AMOUNT	MONTH TO DATE AMOUNT

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